

The left half of the cover features a complex abstract graphic. A globe is positioned in the upper center, with several bright, diagonal streaks of light emanating from it towards the top left. A large, thin white circle is partially visible on the left side. A horizontal dotted line spans across the middle of the graphic. The background is dark and textured with various patterns and light spots.

**ASCENT**  
Association of Communications Enterprises

2001  
ANNUAL REPORT

# ASSOCIATION OF COMMUNICATIONS ENTERPRISES

2001

## ANNUAL REPORT

### MISSION STATEMENT

The mission of the Association of Communications Enterprises (ASCENT) is to help members succeed in their business pursuits. ASCENT facilitates the opening of communications markets worldwide to full and fair competition, promotes the involvement of entrepreneurial entities in the communications industry, stresses the importance of ethical business practices, and is dedicated to the fair and equitable treatment of all members.

SET YOUR SIGHTS



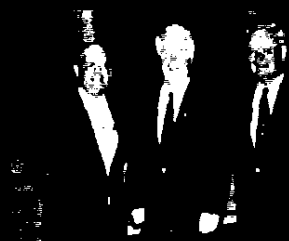
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## The Chairman's Letter

*In May Laura Scher delivers her final member address as chair of the ASCENT board of directors. Thank you Laura for your dedicated service.*



*L-r: ASCENT President Ernie Kelly, MA Representative William Delahunt and ASCENT Board Member and former Chairman Bob Hale at ASCENT's Summer Business Forum in Boston. The Honorable Delahunt highlighted the program with a special welcome to the ASCENT attendees.*

**ASCENT**  
Association of Communications Entrepreneurs

**S**itting down to write the "Chairman's Letter for the ASCENT2001 Annual Report was not an easy undertaking. Let's face it. 2001 was a difficult year for the communications industry and for our country. Describing 2001 as a "challenging year" is an obvious understatement. We will never forget 9-11, but we will always remember how our nation united and our patriotism flourished more than it had in decades.

### Thank you

*... to our staff and consultants*

I'd like to start by thanking the people who committed themselves to making ASCENT successful during the past year – our staff. They include: Ernie Kelly, our President; David Gusk, our Executive Vice President; Steve Trotman, our Vice President of Industry Relations; Amy McCarthy, our Conference Services Director; Celeste Powers, our Public Affairs Director; Mary Medved, our Administrative Director; and Linda Brobst, our Office Manager.

We also sadly said goodbye to the following staff: Marianne Davis, Talbot Gee, Julie Hill, Sue Palladino and Len Yanoff. We send our thanks to all staff, both past and present, for their dedicated service over the years.

In addition, I want to recognize the contributions of our long-time consultants who are members of the ASCENT family: Charlie Hunter, legal counsel; Barb and Don Hutchins of GH Associates, our conference coordinators; and Andrew Isar, state regulatory director. We commend them all on jobs well done.

*... and to our Board*

Then, of course, there are the volunteers, our Board of Directors, who commit a great deal of their personal time to provide strategic planning and guidance to ensure that ASCENT meets its goals and objectives. My sincere thanks go to these dedicated members. Serving with me are – our Vice Chair, Gail Jones, who has served two separate terms on ASCENT's board and was re-elected in 1995. Gail also chairs the Ethics Committee. Our Treasurer, Ron Contrado, who was elected to the board in 2000. Plus, Bob Hale, an original incorporating board member who has served faithfully since 1992. Former threeterm chairman Sherm Henderson, who has served on the Board since 1994, and this year as Chairman of the Public Relations Committee. Ron Harden, elected in

1999, serves as Chairman of Conference Planning Committee. Plus, elected in 2000, were Tony Sgroi, Membership Committee Chair and Gordon Martin, chair of the Strategic Planning Committee. Last but not least, elected in the spring of 2001 is Shirish Lal. Shirish serves as the Regulatory Affairs Chairman. Our mission is simple: We are dedicated to helping our members succeed!

I would like to pay respect to one member of our board who retired after many years of service to our organization. Laura Scher, CEO of Working Assets and the immediate past chairman of the board, served as a director from 1994 to 2001. Laura will be remembered for her steadfast belief that our regulatory, legal and policy work provides one of the greatest benefits to our membership. She chaired our government relations committee for most of the time she served on the board. Laura, we thank you for a job well done over a long period of time. You are missed!

## A Time of Change at ASCENT

Before moving on, there is one more person I would like to give special recognition to, ASCENT President Ernie Kelly. As previously announced, Ernie will retire on April 30, 2002 at the end of his current term. This is a landmark event for ASCENT. Not only is this the first change in staff leadership since the inception of TRA, but it marks the departure of the association's very first employee. Through his more than eight years leading ASCENT, Ernie has been a driving force for the association. Ernie was hired in November 1993 as the association's first Executive Director and was named President in 1997. On behalf of the membership, staff and the Board of Directors, as well as all of those who have preceded us, thank you Ernie for your many years of dedicated service to ASCENT. There is a great deal of "Ernie Kelly" built into ASCENT. You will be missed but certainly not forgotten!

## The Challenges Facing Our Industry

Clearly, this is not the easiest time in recent memory to be in the communications business. We started 2000 with the technology and communications sectors of the economy reaching all time highs and ended the year with these same sectors mired in significant and prolonged downturns. When we entered 2001 we thought the industry and economy would improve. We were wrong, and the worst part is we may not have hit bottom.

In order for things to turn around, communications companies must begin to provide a return on capital investment. And they must provide services that give customers good value. Thus far our industry has spent over a trillion dollars trying to discover business models that actually provide a return on a cost of capital and/or equity and sadly, most of that trillion is gone while the search continues. The fact is, most economic and business

models thus far have not generated sufficient margins to sustain long-term success.

Fortunately, our industry is dominated by entrepreneurs who simply will not give up until they find the right competitive formula. If nothing else, we are a persistent and stubborn group of capitalists. We continue to refine what works and eliminate what does not. This takes time, but eventually opportunities will arise and be seized by upstart companies with rational pricing, ample cost containment and sufficient profit margins.

Competitive carriers that have survived to this day are more important than ever given their dwindling number and the constricted capital markets. And in addition to the challenges in the marketplace, we face numerous obstacles in state and federal governments as we continue the fight to make sure these markets remain fully open to competition.

## The Future

These are the times when ASCENT is more important than ever for you and your company. Indeed, your membership is an investment in your company's future. ASCENT is your "one-stop" shop for key programs and services — conferences, networking, advocacy, information access. But, this is also the time when ASCENT needs your strong support. Together, we can overcome the challenges that lie ahead and come out stronger than ever.

I want to personally thank you for being a part of ASCENT. As always we appreciate your continued support. We look forward to 2002 and moving forward with a renewed optimism for our association, industry and country.

Daniel G. Lazarek  
Chairman of the Board  
CFO/COO  
The Access Group, Atlanta, GA



## The President's Letter

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**T**his annual report will cover in detail what we have done for our members this past year and how we have maintained our reputation for excellence through some tough times. I will attempt to briefly summarize the past year in this column, but I would urge you to review each and every segment of this annual report for important details about ASCENT's accomplishments.

2001 will long be remembered as one that presented major challenges to us as Americans and as businessmen and women in the communications industry. It is difficult to imagine more trying times than those that we experienced in the past year as a nation, an economy and as an industry. Obviously, the terrorist attacks of 9/11 had a devastating effect on the American economy, which had already entered a recession some six months before. At the same time it showed the strength and resilience of our Nation and gave our industry a chance to show how capable our communications infrastructure is even in times of almost unimaginable stress and challenge.

For our industry, 2001 was the second year of an unyielding downward pressure that really began in the spring of 2000. A common question at most of our meetings over the past two years has been speculation on when we were going to bottom out as an industry. We had false hopes back in the spring of 2001 followed by another downward cycle through the summer and a collective kick in the teeth for everything post September 11. We know how hard this past year has been on our industry because we have seen the results in and among our membership. There have been some great casualties among communications companies, but there have also been some amazing survival and success stories as well. ASCENT has not been immune to the difficulties, as we have felt the effects of this prolonged downturn on our membership and participation in our shows. Just like our members, we have had to tighten our belts and hunker down to ride this economic cycle out and we have been doing that successfully. In spite of these inhibitions we have turned in some great regulatory, legal and policy victories for our membership and have put out some great information through our web-site and in our conferences. In short, we have maintained the value of participation in a time when we needed to show that membership in ASCENT is an appropriate, necessary and valuable use of limited corporate resources.

Against this backdrop ASCENT was still able to put on

four fine conferences in 2001 including a Winter Carrier Forum in Palm Springs, and revamped Summer Business Forum featuring our supplier members and two exhibition/conferences in Dallas and Orlando. Attendance was excellent and a lot of useful information and business contacts were exchanged.

Outside the difficulties in the industry and economy, our greatest challenge has come from the change in the federal government, which has produced an FCC and a Congress more partial to the incumbents and less helpful to competitors when compared to the previous regime. We have seen it in everything from mundane FCC rules and policy pronouncements to the progress of major anti-competitive federal legislation known as the "Tauzin-Dingell" bill. At a time when we need more help from the government than ever before to protect the progress we have made in the six years since the passage of the '96 Act it has been hard to find.

Our regulatory, legal and policy efforts produced a number of important victories. Not the least of them was our ability to forestall action by the full House of Representatives on the Tauzin-Dingell bill. In addition we scored significant victories in federal court for resellers of local services and at the FCC on dial around compensation for payphones. Our involvement in the states paid off with some fine victories as well, particularly in the state of Illinois. We also continued our opposition of the granting of 271 applications where the incumbents had not fully opened their local networks to competition.

As always I want to thank the staff, who are listed elsewhere in this report, for their many contributions and invaluable service to the membership. They are, and have always been, our greatest asset. There were comings and goings among the staff this past year. We welcomed back Steve Trotman to our staff, who had been with us for a number of years prior to leaving the staff in 2000. We were very glad to have him back. We said goodbye to Sue Palladino, Len Yanoff, Marianne Davis, Julie Hill and Talbot Gee and I would like to make the point of thanking them all for their contributions this past year and, in the case of Sue, for over six years.

Ernie Kelly  
ASCENT President

# The Treasurer's Report

It is my distinct pleasure to present you with the Treasurer's Report for calendar year 2001. As we entered 2001, we anticipated that we might face a number of challenges as an Association. One of the major ones involved contingency planning for preserving our core programs and services if our industry continued the downward trends we saw coming out of 2000. While we hoped and expected that the long awaited turnaround would occur, we knew we could not necessarily count on it. Accordingly, when we put together our budget in March for the fiscal year (which for ASCENT is May 1-April 30) we agreed to develop systems to monitor our finances more closely than at any time in the past. We also agreed to use our strategic planning committee as a vehicle for making any changes or mid-course corrections we deemed necessary. An important element of this new reporting process involves a weekly cash flow report from the President complemented by a monthly cash assurance report that allows us to track with great detail actual results against projections on a weekly, monthly and quarterly basis. It is a valuable tool for the President and the board to monitor progress in these challenging times.

As it turned out we were able to identify problems related to the advent of the recession in our first quarter and enacted proposed budget cuts immediately thereafter to more evenly match expenditures with anticipated revenues for the rest of the year. After September 11 we felt obligated to further streamline the association's budget so that we could reflect new economic realities. While we did sustain some mild losses to our cash balance in the first and second quarters, I am pleased to report that in the third quarter we were poised to exceed budget on a net basis and we are confident, barring some further

recession deterioration in the industry, that we are well positioned to carry forward with virtually all of our basic programs and services intact. In large measure we can thank for the conservative approach of previous boards that, in times of falling plenty, chose to create and build up our cash reserves in anticipation of just such an occurrence as we have seen in the past year. The conservative approach to our fiduciary responsibilities has served us extremely well.

ASCENT ended the year 2001 with \$3,613M in income and \$3,899M in expenditures for a net loss of \$285,641. That loss reduced our cash reserves from \$1,593M to \$1,307M, which is where we ended the year. This provides a good base on which to build for 2002. That figure represents about 4 months + operating expenses for the association for the current fiscal year and will likely increase as a percentage entering the next fiscal year. It is a good position to have in times when credit is tight and cash is king.

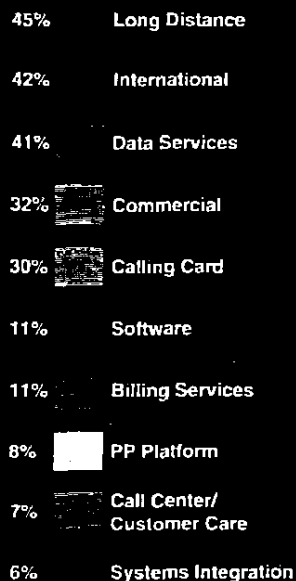
Finally, the board has received and reviewed its annual outside auditor's report and I am pleased to state that once again we have received an excellent and commendable review. I can say with great surety that your association is well managed from a fiscal perspective and we will continue to insure that is the case in 2002.

**Ron Contrado**  
**ASCENT Treasurer**  
President  
Hornischo/Volcanet, Melrose, MA

## SET YOUR SIGHTS



## Membership Offerings



## Membership

In 2001, ASCENT's membership, which totaled nearly 550 companies, represented the breadth of communications services. As the chart to the left reflects,

ASCENTS membership continues to diversify as the industry changes and grows. Long distance, international, data, commercial and calling cards were the predominate offerings of ASCENT company members. Among the numerous products offered by our supplier members were software, billing services, systems integration, call center/customer care, and prepaid platforms. Continuing its outreach into the communications marketplace, ASCENT attracted scores of new members, including CLECs, broadband network and dark fiber providers, as well as companies offering e-commerce, streaming media, and web hosting.

As our members continue to face challenges within the industry, as well as in the global economic marketplace, ASCENT will be here to support our members in meeting and overcoming those challenges. As such, we are committed to continuing to expand our membership benefit programs and serving our members ever changing interests and needs.

Tony Sgroi

ASCENT Membership Committee Chairman  
President, North American Carrier Services  
Global Crossing, Rochester, NY



Headquartered in Washington, D.C., ASCENT is the leading organization representing the interests of entrepreneurial and small business communications firms. ASCENT members are on the cutting edge of Communications technology, providing voice and broadband data services including Internet access, high-speed transport, local and long distance phone service, application services, and wireless services.

## Strategic Planning

**T**his year the ASCENT Board of Directors put in the additional focused time needed to meet throughout the year to focus on and review the association's Strategic Plan. This plan is vital to defining the association's vision, goals and mission and this year in the face of the increasing turbulence in the communications industry, the need to closely analyze the plan was crucial. As a result ASCENT's 2001 strategic plan focused on the related objectives of stabilizing membership and producing well attended, informational conferences. ASCENT met with considerable success with regard to both goals.

Membership retention and recruitment starts with the value proposition of ASCENT member benefits. In order to improve the proposition, we took a fresh look at all ASCENT services in an effort to increase their worth to members. A number of upgrades were implemented. The ASCENT web site, for example, was completely revamped. The new web site is more attractive, better organized and has a number of new features. In short, it affords members more opportunities to promote their services within the ASCENT community and to the general public.

Another key improvement was the design of our member database. New data collection procedures ensure that members are more accurately categorized in terms of products and services. Accurate, comprehensive data means easier access to member services by potential customers.

ASCENT conferences continue to be the hallmark of our association. To further enhance their value to sponsors, exhibitors and registrants, a number of steps were taken to ensure strong attendance at the 2001 events. Exhibit hall guest passes were distributed for the first time to exhibitors at the 2001 Spring Conference & Exhibition in Dallas. A local marketing campaign, designed to drive stronger attendance from businesses in the immediate geographic region, also was implemented for the first time. At the 2001 Fall Conference & Exhibition in Orlando, an additional attendance-driver was employed when exhibit hall only passes were offered for sale to the general public.

As planned, the member and conference initiatives succeeded in improving member services, protecting our loyal membership base, and producing well-attended and entertaining conferences.

Gordon Martin  
Strategic Planning Committee Chairman  
Executive Vice President  
Qwest, Denver, CO

## Ethics

**A**s part of its mission, ASCENT has maintained and stressed the importance of high ethical business practices and a zero tolerance policy for slamming, cramming and other unethical types of behavior. Since its inception, the association has enforced a Code of Ethics. This code centers around each member's pledge "to recognize and uphold their obligations to their subscribers, vendors and the general public to provide quality services at reasonable rates, under stated terms and conditions, to conduct business ethically and with integrity and to place customer satisfaction foremost in their endeavors," and it empowers the ASCENT Board to act upon and enforce these requirements.

ASCENT is pleased to report that working together with our members, we continue to improve our ability to proactively address ethical issues. As a result of this evolving process, 2001 was a "violation free" year. This accomplishment is a credit to both our members and our board. As they say "actions speak louder than words." This was evident by the actions of the ASCENT members who continued to uphold the Code of Ethics in order to ensure fair and competitive communications markets for their customers and competitors. Equally as important were the actions of the Board of Directors who acted when needed to uphold the association's commitment to the highest ethical practices. I would like to commend the 2001 board for recognizing that slamming and cramming continued to be a major problem in the industry, and as a result, last year they adopted an addendum to the Code of Ethics that specifically addressed these problems. This proved to be a beneficial addition.

Our goal is to continue the success of 2001 and achieve another "violation free" year.

Gail L. Jones  
ASCENT Ethics Committee Chair  
Vice President, General Manager  
CommoreTel Holdings Ltd., Omaha, NE



# COMMITTEE REPORTS

## Conference

**A**SCENTS hallmark conferences continued to provide some of the best networking opportunities in the business and showcase the latest technologies and products during 2001. Whether attendees were seeking a new market for their services, a strategic partner, or the latest information on industry advances, they could find them all at the ASCENT conferences.

Kicking the year off was the Winter Carrier Forum at the Marriott Desert Springs Resort and Spa, in sunny Palm Desert. Attendees enjoyed Palm Desert's unbeatable weather and awe-inspiring mountain views, as well as more than a dozen incredibly strong presentations from the industry's most prominent carriers on International and Domestic communication services. Plus new for 2001, the program included a new workshop on Enhanced VoIP Services.

"Partnering for Success" proved to be an appropriate theme for the ASCENT 2001 Spring Conference & Exhibition in Dallas. The attendees buzzed that despite tough times in the industry, the show was well attended and there was an "energy" in the air. Networking opportunities abounded both on and off the packed exhibit floor and the educational sessions were the most crowded in the history of the association. Conference highlights also included an insightful and motivating keynote address by former Vice President and Democratic Presidential Candidate Al Gore, as well as exciting evening events sponsored by Sprint and El Paso Global Networks.

Change continued to be the locus of our industry during 2001. As we started to plan the summer conference, ASCENT evaluated what new programs it could offer to focus on business issues and, also, provide new opportunities for our supplier members. The answer was to change the summer carrier forum. The result was the new Summer Business Forum. The 2 1/2-day program was held at the Weslin Copley Place Hotel in Boston at the end of July. Focusing on "getting back to the basics" to ride out the turbulent times, the program included more than a dozen educational sessions, as well as a newly developed supplier tabletop exhibition. Attendees also enjoyed the numerous sights and activities in Boston and a memorable night at Fenway Park to see the Boston Red Sox play the Anaheim Angels.

After what was a very traumatic fall for our country, ASCENT was fortunate to end the year on a high note with the rousing success of our Fall Conference and



*Former U.S. VP Al Gore delivers poignant Keynote Address to Spring Conference Attendees in Dallas on the state of the communications industry.*

*Former Senator Bob Dole had Fall Conference attendees in Orlando laughing and crying with his great insights into what it takes to be a leader today amidst unprecedented political and economic changes.*



*A special thanks to the Orlando Fire Department Color Guard for their performance at the Fall Conference.*



*ASCENT President Ernie Kelly Shows his rock star persona by singing Sweet Home Chicago with the Blues Brothers at Tuesday night's Motown Revue in Orlando*



Both the Spring and Fall Conferences were very successful and in the ASCENT tradition Dole had Dacked exhibit floors (pictured here is Spring show in Dallas)

Exhibition, which was held at the Marriott World Center in Orlando in November. Exceeding all expectations, the conference was attended by well over 1,600 communications professionals. We were thrilled with the tremendous showing, particularly given the difficulties inherent in the telecom industry and the condition of the economy during the last quarter of 2001. Kicking off the show, was a standing room only keynote presentation presented by former Senator Bob Dole. In addition to the outstanding numerous educational sessions, the evenings were filled with fun entertainment events including the "Sprint Speedway" and ASCENT's Motown Revue

**Ron Harden**  
**ASCENT** Conference Committee Chairman  
 Executive Vice President  
 Grande Communications, San Marcos, TX

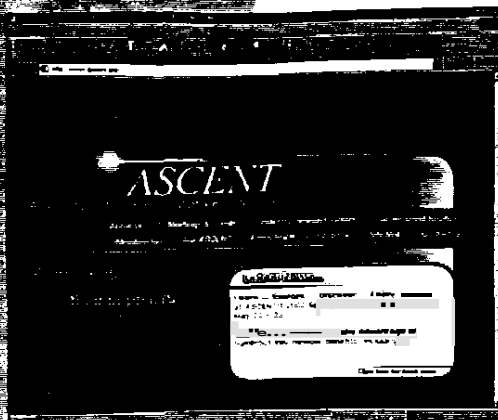


Congratulations to Billing Concepts Profitec DCA and Sprint - recipients of the ASCENT Special Exhibitor Award for exhibiting at 20 consecutive ASCENT Conferences

**ASCENT would like to thank those companies who supported us throughout the year:**

AFN Communications  
 American Fiber Systems  
 ARBROS Communications  
 AT&T  
 Atlantic-ACM  
 BellSouth  
 Broadwing Communications  
 C3 Communications  
 Cable & Wireless  
 CalVision  
 Cambrian Communications  
 Convergent Networks  
 Customer Solutions  
 DCA  
 Early, Lennon, Crocker & Bartosiewicz  
 El Paso Global Networks  
 Enron  
 EPIK Communications  
 Fibertech Networks  
 Focal Communications  
 FPL FiberNet  
 Global Crossing  
 Homisco/VoiceNet  
 ILLUMINET  
 Info Directions  
 InfoHighway Communications  
 NUI Telecom  
 Orion Telecommunications  
 PHONE+X-CHANGE  
 Plexnet Communications  
 PointOne Telecommunications  
 Profitec  
 Qwest  
 ReteXChange  
 SIEMENS  
 SIMPLIFIED  
 SNET  
 Sphera Optical Networks  
 Sprint  
 Stonehenge Telecom  
 TFS Telecom  
 TNS  
 Tyco Telecommunications  
 Universal Access, Inc.  
 Velocita  
 Vialog  
 Williams Communications

# COMMITTEE REPORTS



ASCENT Launches New Web Site

## Public Relations

The best way to summarize the direction of the ASCENT Public Relations program is to highlight the association's mission statement, which states that "ASCENT facilitates the growth of markets worldwide to full and fair competition; promotes the involvement of entrepreneurial entities in the communications industry." Focusing on the industry as well as specifically our members, ASCENT provides various information services. These include press releases, the association's newsletter — Infotrack, our web site, and published industry reports.

In 2001 ASCENT issued over 35 press releases regarding important association news updates, as well as critical regulatory and legislative matters, including topics on advanced services resale obligations, FCC Chairman Powell's outlook, RBOC 271 applications, opposing the Tauzin/Dingell legislation, and access to the 911 Platform. Did you know that all current and archived press releases are located in the "Press Room" on ASCENT's web site? Take a look when you have a minute — this section gives you summaries of current issues, links to state and federal filings, and much more.

Infotrack, ASCENT's monthly newsletter, continues to provide valuable information to all members with full coverage of important federal and state legislation, mergers, industry statistics, conference updates, and advanced services topics. Two significant changes were made to Infotrack in 2001. The first was reformatting the newsletter into a self-mailer and the other was the addition of a new feature entitled Member Viewpoint. This new feature provides an opportunity for ASCENT members to submit special contributions to Infotrack on industry issues of interest to their businesses.

The major public relations project for 2001 was the

overhaul of ASCENT's web site and the transition to a new web site partner, Potomac Digitek. Providing consulting and technology Services to approximately 160 clients, including over 105 associations, our new web partner knows and understands the needs of associations. The new site includes many exciting, innovative and upgraded features such as: redefined buttons to reflect our association's benefits and services; improved navigation layout; a newly designed database, the ASCENT Marketplace, which is accessible to the public and provides the opportunity to find member companies based upon their product and service offerings; the creation of an Industry Resource Center with numerous ASCENT government and research firm reports; and user-friendly membership and registration on-line forms. The site will continue to offer late breaking news reports (now featured on the home page), an extensive library of regulatory filings, legislative updates, and links to key industry web sites. I am sure you will "visit" there often; I know I do.

I hope you take advantage of these many tools and services that ASCENT has designed for you. Our members, we will continue to enhance our information Services, as well as utilize an active public relations campaign, in order to keep our members' issues in the forefront of regulators, the industry and the media.

J. Sherman Henderson  
ASCENT Public Relations Chairman  
President & CEO  
Lightyear Louisville, KY



## Legislative Affairs

2001 turned out to be a year for the telecommunications industry in ways in which few could have imagined. A year in which the competitive telecommunications industry saw the vaporization of capital markets, numerous bankruptcies, and several liquidations. It could be argued that this abrupt shift in the industry's prosperity of competition was a small measure by an overly "Bell-friendly" House compared to a similar proclivity at the FCC.

The first harbinger of anti-competition came with the retirement of Rep. Thomas Bliley (R-VA), a staunch defender of competition and ally to the CLEC community. It had been through his leadership, as Chairman of the House Commerce Committee, that kept the '96 Telecommunications Act from being reopened and eviscerated by refusing to hold substantive hearings on HR 2420, the Internet Freedom and Broadband Deployment Act of 1999. But 2001 saw the House Commerce Committee gavel pass from the hand of our friend Rep. Bliley to that of Rep. Billy Tauzin (R-LA), whom along with Rep. John Dingell (D-MI) co-authored the "Bell-friendly" bill that sought to eliminate many of the market opening provisions of the '96 Act.

Among other things, the bill would essentially eliminate interLATA restrictions for the transmission of data by the RBOCs and eliminate the unbundling requirements for advanced services.

### A Rose By Any Other Name... A Bill By Any Other Number

With the gavel of the powerful House Commerce Committee in hand, Rep. Tauzin, along with his colleague Rep. Dingell, re-introduced the legislation in the 107th Congress as HR 1542, the Internet Freedom and Broadband Deployment Act of 2001. Nothing other than the bill number and date changed. The legislation was just as damaging to competition and favorable to the Bells. With no one standing in the way of holding committee hearings, a schedule faster than data bits through a fiber optic cable was set. Within 48 hours of its re-introduction, the bill was the subject of a full committee hearing, referred to the Telecommunications Sub-Committee for a hearing and mark-up and reported out to the full Commerce Committee. Two weeks later during a mark-up by the Commerce Committee, the true contentious nature of the bill was revealed. A pro-competition amendment, offered by Reps. Luther and Wilson, dealing with line sharing was met with an evenly divided vote. Wielding the rule of the Chair, Rep. Tauzin defeated the measure.

### Glimmers of Hope, Signs of Reason

Recognizing that this complex bill was dangerous to competition and that the Commerce Committee Chairman was relentless in his efforts to bring the bill up for a vote, Rep. Sensenbrenner (R-WI) sought to assert jurisdiction by asking Leadership to refer the bill to Judiciary for consideration. Having won the jurisdiction argument, the bill was sent to the Judiciary Committee in early June for a hearing, followed by a mark-up and subsequently Reported Unfavorably, a clear signal that this bill was anything but an easy vote.

Yet another glimmer of hope for competition came following the bitterly contested presidential election in November 2000. With the Republicans claiming victory for the White House, and Vice President Cheney as President of the Senate holding the decisive vote in any tie, the Republicans had the narrowest majority possible in the evenly divided Senate. However, their majority status was short-lived. Sen. Jeffords' (VT) defection from the Republican Party to become an Independent gave the majority to the Democrats. This fortuitous turn of events emerged as a life line for the legislative agenda of the competitive industry as the shift in power led to the Senate Commerce Committee being chaired by Sen. Fritz Hollings (D-SC) a long time advocate for the competitive industry and a likely firewall against any Tauzin-Dingell like legislation being considered by the Senate.

Due to aggressive end of the year lobbying by ASCENT and other opponents of HR 1542, what seemed to be an imminent vote on the bill in late December was delayed until March 2002. A brief respite from the battle to preserve competition, a battle that will unquestionably continue to be waged in 2002. For its part, ASCENT will forge ahead in this and the many legislative battles to come.

Shirish Lal

Legislative & Regulatory Committee Chairman  
President and Founder  
Vista Telecom Group, Austin, TX



# COMMITTEE REPORTS

## Federal Affairs

**A**SCENT was once again highly active on behalf of its members in 2001 both before the Federal Communications Commission and in the Federal Appellate Courts. With the goal of participating in all proceedings before the FCC which directly impact competitive opportunities for its members, ASCENT made nearly 100 filings in roughly 50 proceedings before the FCC in 2001. ASCENT also initiated or joined in nearly two dozen appeals of FCC orders in federal appellate courts throughout the Nation, as well as before the U.S. Supreme Court, supporting those FCC actions which benefited, and challenging those FCC actions which adversely impacted, its members.

■ In-region, **InterLATA** Authority: ASCENT continued to oppose premature entry by Bell Operating Companies into the in-region, interLATA market. In conjunction with other competitive service providers, ASCENT was successful in forcing the withdrawal of a number of entry applications. Where applications were granted, ASCENT helped secure critical pro-competitive concessions, including reduced prices for unbundled network access and discounted resale of DSL services. ASCENT initiated or joined in a number of appeals of premature FCC grants of in-region, interLATA authority.

■ Advanced Services Resale: ASCENT led the light to compel discounted resale of digital subscriber line services. ASCENT appealed and persuaded the Court to overturn an FCC order which allowed incumbent local exchange carriers to avoid their DSL resale obligations by using structurally-separate affiliates to provide DSL services. ASCENT used the Section 271 application process to secure resale of DSL services in conjunction with resold voice lines and joined in the fight to expand DSL resale opportunities to carriers making use of the UNE-Platform to provide voice service. And ASCENT spearheaded challenges to incumbent LEC efforts to avoid DSL resale by limiting their DSL offerings to wholesale or bundled services, forcing the initiation by the FCC of a proceeding to address resale of DSL services. ASCENT also continued to advocate wholesale and unbundled access to cable modem services and the facilities used to provide those services.

■ **CLEC Access Charges:** ASCENT was active in the successful effort to block large interexchange carriers from unilaterally refusing to exchange traffic with competitive local exchange carriers or to pay competitive LEC access charges deemed by the large interexchange carriers to be excessive, while at the same time capping competitive LEC access charges at reasonable levels. ASCENT is participating in the defense of these FCC holdings in several pending appellate actions.

■ **Unbundled Network Elements:** ASCENT was a leader in the fight to relax restrictions on the availability of unbundled local switching and to preserve and expand the availability of the UNE-Platform, participating in proceedings addressing these matters before the FCC and in the Federal Appellate Courts. Also before the FCC and the Federal Appellate Courts, ASCENT opposed restrictions imposed by the Commission on the use of unbundled network elements, including restrictions imposed on the use of enhanced extended links. ASCENT further defended, and sought to enhance, cost-based FCC pricing guidelines for UNEs and network interconnection, opposing efforts to inflate UNE rates.

■ **Local Competition:** ASCENT joined with other industry participants in seeking to preserve, as well as to enhance and expand, FCC collocation and line sharing mandates, successfully on appellate remand at the FCC and again before the Federal Appellate Courts. ASCENT sought before the FCC to preserve incumbent LEC reciprocal compensation payment obligations on Internet-bound traffic and joined others in challenging on appeal undue limitations imposed by the Commission on such payments. ASCENT continued to oppose premature relaxation of regulatory constraints on incumbent LEC service provision, as well as efforts to circumvent incumbent LEC non-discrimination requirements.

■ **Interexchange Services:** ASCENT participated actively in the formulation of, and indeed, drafted, the North American Numbering Council's recommendation that the FCC cease its efforts to require switchless resale carriers to secure, and deploy throughout their service areas, one or more carrier identification codes, relieving individual switchless resale carriers of hundreds of thousands, if not millions, of dollars in deployment costs. Before the FCC and in the Federal Appellate Court, ASCENT opposed grant of additional flexibility to incumbent LECs in pricing access services, as well as relaxation of regulatory oversight of incumbent LEC provision of special access services. ASCENT supported measures designed to drive both incumbent LEC access charges and PIC change charges toward cost, and opposed incumbent LEC efforts to distort the FCC's slamming and customer proprietary network information Safeguards for anti-competitive ends.

■ **Prepaid Services:** ASCENT successfully worked to relieve switch-based resale carriers of their obligation to track, and directly compensate payphone service providers for, Payphone-originated toll free and access code calls. In conjunction with others, ASCENT successfully blocked network-based IXCs from charging SBRs for all calls that transit their switches, including calls which are not completed to the called parties and hence which generate no revenues. ASCENT also Persuaded the FCC to relieve resale carriers from any obligation to compensate PSPs for calls completed during the initial year of the Commission's payphone compensation regime. ASCENT has been active in defending several appeals of FCC payphone compensation orders.

■ **Wireless Number Portability:** ASCENT was one of only a small handful of industry participants to oppose efforts to relieve facilities-based wireless carriers of their obligation to implement wireless service provider number portability before year-end 2002.

■ **Universal Service:** ASCENT sought to introduce greater equity into the universal service contribution mechanism, successfully advocating reforms which lessened the contribution burden on carriers with declining revenues and allocating a larger share of the contribution burden to BOCs newly entering the in-region, interLATA market.

■ **Carrier Transactions:** ASCENT successfully argued for relaxation of regulatory burdens associated with sales of customer accounts, as well as mergers and acquisitions involving smaller carriers, but advocated retention of FCC oversight of transactions involving incumbent LECs and network-based IXCs. ASCENT also argued for strict enforcement of conditions previously imposed on mergers among large incumbent LECs.

■ **Numbering Resources:** ASCENT opposed efforts to implement a market-based allocation system for numbering resources, an initiative which would require carriers to bid for and pay for such resources.

Charles C. Hunter  
ASCENT General Counsel  
Partner  
Hunter Communications Law Group, Washington, DC



# COMMITTEE REPORTS

## State Affairs

### ASCENT in the States

**A**SCENT's state regulatory program continues to focus on member representation, compliance, and member information. ASCENT advocated pro-competitive positions in support of member interests before state regulators and legislators through 175 filings in 37 states. ASCENT maintained active involvement with the National Association of Regulator Utilities Commissioners (NARUC), through presentations and participation at NARUC meetings. And ASCENT continued its involvement in state industry coalitions on a number of initiatives. Regulatory compliance represented a growing area of concentration for ASCENT, as the Association prepared 110 compliance advisories in 2001, designed to enable members to keep abreast of changes in state regulatory obligations. ASCENT's web site was redesigned to give members more timely access to ASCENT state filings and compliance information. Infotrack, member bulletins, regulatory calendars, and monthly reports continued to serve as vehicles for keeping members informed of state regulatory activity.

### A Year of Change

The turning of another page in the ongoing telecommunications competition saga last year revealed a disturbing series of events. By mid-year, fewer competitive players could sustain state regulatory battles, while incumbents gained a foothold in several key areas. Favorable interLATA market entry endorsements were rendered in no less than eight states. And the FCC's seemingly laissez-faire approach toward the Regional Bell Operating Companies (RBOC) became more evident, causing growing concern over potential dilution of state regulatory authority. There were some bright spots including significant reductions in unbundled network element rates in a few key states and the passage of one of the nation's most pro-competitive pieces of legislation in Illinois. ASCENT scored a significant victory in Illinois, where Ameritech's contract termination penalties were found unlawful. Many states focused on stringent incumbent post-interLATA market entry performance assurance plans. Regulators and legislators in a few states

also considered structurally separating incumbents' **whole-sale** and retail operations. although no decisive action was taken. And independent RBOC operations support systems (OSS) testing continued in earnest, as **test results** remain the final piece for state interLATA market entry recommendations in nearly a dozen states

## A Regulatory Look Back

■ **RBOC InterLATA Market Entry** RBOC interLATA market entry dominated attention more than any other issue. At least 40 states – an increase of ten states from 2000 – were engaged in some aspect of evaluating the incumbent's interLATA market entry. More than half of those states were similarly involved in OSS testing and the development of post incumbent interLATA market entry performance assurance plans. *ASCENT* opposed premature RBOC interLATA market entry in those proceedings.

■ **UNE Pricing and Availability** Unbundled network element (UNE) pricing and availability issues closely followed the state 271 process, as Competitors continued to point to inflated RBOC UNE rates and increasing UNE – Platform restrictions. More than a dozen states engaged in a UNE-related proceeding. *ASCENT* joined industry coalitions in pursuing UNE rate reductions and maintaining broad UNE availability.

■ **Advanced Services** *ASCENT* was in the forefront of holding incumbents to their obligations to make advanced services available for resale under January and June 2001 U.S. Court of Appeals for the District of Columbia Circuit orders, which clarified incumbent advanced Service resale obligations. An advanced services resale White Paper was prepared and distributed to nearly half of the States.

■ **Structural Separation** At least ten states considered imposing some form of RBOC structural separation through legislation or regulation. *ASCENT* actively supported regulatory and legislative structural separation initiatives.

■ **Contract Service Arrangements** Three states considered the legality and level of incumbent early contract termination penalties. Among them, Illinois, on a 2000 *ASCENT* complaint, concluded that SBC/Ameritech's termination penalties were unlawful and must be reduced.

■ **Anti-Competitive Win Backs** Seven states, primarily in the BellSouth region and in Texas, addressed the lawfulness of incumbent efforts to lure former customers back. Initial gains were realized in South Carolina and Georgia.

■ **RBOC Regulation** Nearly a dozen states undertook rulemaking to address RBOC regulation. **Ameritech states** in particular considered beefed up service quality regulations in light of dismal regional service performance.

■ **Wholesale Discounts** Three states, **Massachusetts, Minnesota, and Oregon**, initiated proceedings to investigate wholesale resale discounts following the Eighth Circuit Court of Appeals vacation of the FCC's avoidable cost pricing methodology.<sup>1</sup> At the urging of the competitive industry, including *ASCENT*, a decision on wholesale discounts was shelved in Massachusetts, pending federal action. Action in Minnesota led to a reduction of the wholesale discounts to just above 17%: an amount included in a proposed Oregon stipulation, opposed by *ASCENT*,

■ **Regulatory Action** *ASCENT* participated in a variety of state rules that were considered in 2001 including service termination, carrier to carrier migration guidelines, guidelines for carrier freezes, and several slamming and general rulemaking.

## In the Coming Year

Further industry turbulence should be expected as many key issues including broadband deregulation, UNE pricing, UNE availability, and interLATA market entry remain to be resolved. Members can continue to count on *ASCENT* for State advocacy and information.

Andrew O. Isar  
***ASCENT* Director** – State Affairs  
President  
Miller Isar, Inc., Gig Harbor, WA

<sup>1</sup> Lei stand by the United States Supreme Court.



# ASCENT Leadership



2001-2002 Board of Directors (front row l to r) Gad Jones Sherm Henderson Ron Harden Tony Sgroi (back row l to r) Ron Contrado Bob Hale Sr Dan Lazarek Gordon Martin Shirish Lal

## 2001-2002 Board of Directors

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CFO/COO  
The Access Group  
Allanta, GA

### Vice Chair

Gail L. Jones  
Vice President, General Manager  
ComoreTel Holdings Ltd.  
Omaha, NE

### Treasurer

Ron Contrado  
President  
Homisco/Voicenet  
Melrose, MA

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Chairman  
Network Plus, Inc.  
Randolph, MA

Ron Harden  
Executive VP, Network Services  
Grande Communications  
San Marcos, TX

J. Sherman Henderson  
President & CEO  
Lightyear  
Louisville, KY

Shirish Lal  
President and Founder  
Vista Telecom Group  
Austin, TX

Gordon Martin  
Executive Vice President  
Qwest  
Denver, CO

Anthony T. Sgroi  
President, North American Carrier Services  
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Vice President, Industry Relations

Amy McCarthy  
Director, Conference Services

Celeste Powers  
Director, Public Affairs

Mary E. Medved  
Director, Administration

Linda Brobst  
Office Manager

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Director, State Regulatory Services

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President

Miller Isar Regulatory Consultants

Gig Harbor, WA

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Charles Hunter

Partner

Hunter Communications Law Group  
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Conference Coordinators

Gordon "Don" Hutchins, Jr.

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Barbara Hutchins

V.P. Conference Planning

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McLean, VA



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October 10, 2002

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## ASSOCIATION OF COMMUNICATIONS ENTERPRISES

Protecting the UNE-Platform

**Key Issues**

October **10,2002**

Competition and Innovation: UNE-P has demonstrated a powerful ability to bring competitive benefits broadly to the mass market. According to the PACE Coalition's "UNE-P Fact Report," as of June, 2002 approximately **7.7** million lines enjoyed competitive choice as result of UNE-P.

The PACE report also found that:

- During 2001, UNE-P was responsible for more than 60% of the growth in competitive access lines, twice what it had been responsible for in the prior year. Because of its speed to market, flexibility and broad application, UNE-P has provided the foundation for a new wave of smaller entrants with innovative ideas.
- Because subscribers can be reliably and inexpensively migrated between the incumbent and new entrants, UNE-P is ideally suited to support competition across a broad range of customers and geographic areas. UNE-P is only capable of extending competition to rural markets, however, if it is universally available.
- Capital Expenditures: According to a report released October 3, 2002 by the New Paradigm Resources Group, competitive telecommunications providers devoted twice as much capital to deploying new network infrastructure as incumbent carriers in response to competition created by the 1996 Telecom Act. Competitive providers spent more than \$103 billion on network infrastructure between 1996 and 2001 while ILEC spending totaled about \$47 billion.
- Facilities-Based Competition: UNE-P offers competitive carriers a market-entry strategy that does not require massive upfront capital expenditures. At the same time, it provides a breeding ground for many new entrants that ultimately will transition to a facilities-based strategy as their subscriber base expands and UNE-P becomes less economical.
- Unbundled Local Switching: Like the UNE-Platform in general, denying competitive carriers access to ULS would create a significant barrier to entry. Even the FCC acknowledged that new entrants "will encounter generally greater direct costs **per** subscriber (than incumbents) when provisioning their own switches, particularly in the early stages of entry when requesting carriers may not have the large number of customers that is necessary to increase their switch utilization rates significantly." (Third Report and Order, released 1/15/99)

- **UNE Pricing:** UNE Rates have been established in accordance with the FCC's forward-looking pricing method (TELRIC) under the 1996 Telecommunications Act. UNE rates have been upheld by the U.S. Supreme ~~Court~~ and *are* consistent with data submitted in state proceedings. We are unaware of any instance in which challengers have been able to successfully demonstrate that specific UNE rates do not adequately compensate the underlying carrier.

**PROFILE**  
**OF**  
**CAT COMMUNICATIONS INTERNATIONAL, INC.**  
DBA "CCI"

LOCATION: ROANOKE. VA

**ESTABLISHED:** 1998

MARKETS: CERTIFIED *AND* OPERATING CURRENTLY 20 STATES WITH 8  
ADDITIONAL STATES PLANNED FOR THE COMING YEAR.

EMPLOYEES: APPROX. 250

SERVICES: LOCAL SERVICE & LONG DISTANCE PACKAGES

PROVISIONING: RESALE & UNE-P

SUBSCRIBERS: WE ANTICIPATE EXCEEDING 100,000 SUBSCRIBERS WITHIN  
THE NEXT 12 MONTHS

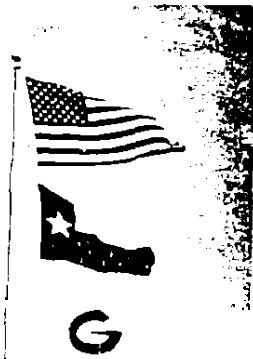
**CCI ADVANTAGES:** EXTENSIVE CUSTOMER SERVICE. WE REQUIRE NO  
DEPOSITS AND NO CREDIT CHECKS.

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## **CIMCO Communications, Inc.**

18W100 22nd Street, Suite 109  
Oakbrook Terrace, IL 60181

- CIMCO services the Midwest region and currently has 125 employees.
- CIMCO is a Total Communications Provider providing Local, Long Distance, Internet, and Managed Services. CIMCO's service offering is differentiated by a comprehensive Personal Service Plan which is crafted to meet the ongoing support and service needs of our customers.
- CIMCO provides a broad breadth of products. We are a facilities- and non-facilities-based provider. We provide local services through both resale and UNE-P.
- CIMCO currently has 920 subscribers, the majority of which have multiple locations utilizing CIMCO's services.
- Subscribers choose CIMCO over the incumbent carriers because our product offerings are broad enough and flexible enough to meet their business needs. However, what truly differentiates CIMCO from incumbent network operators is our comprehensive personal support and service for these products.



## Company Overview

Headquartered in San Marcos, Texas, Grande Communications is building a state-of-the-art broadband network to homes and small businesses in seven markets across Texas. This Texas focus has allowed for steady, yet manageable, growth punctuated by a record-setting \$233 million in venture capital funding in 1999, and the acquisitions of Thrift Call in 2000 and ClearSource in 2002.

Small communities and large metro areas alike will have access to a faster, clearer and more reliable fiber-optic network that will deliver high-speed Internet access, local and long-distance telephone and cable television services. Grande has secured more than 40 Franchise agreements with municipalities among seven Texas markets Austin, San Marcos, San Antonio, Waco, Corpus Christi, Midland and Odessa.

Grande is one of only a few broadband service companies in the nation to employ “fiber-to-the-curb” technology, which installs fiber to no more than **24** homes at a time, rather than **up** to 500 homes connected by other local network providers. This allows for faster Internet connections and greater download capability.

Grande sets a new standard for customer service in the broadband delivery industry. The company is committed to customers through a value system founded on respect, honesty, commitment and a willingness to have fun. Despite competition from select telecommunication giants, Grande continues to build customer loyalty through innovative products and exceptional customer care. The company’s bundled service offering is the convenient choice for customers who want one call for service. No other company in Texas bundles all three Internet, phone and cable broadband services.

Grande’s wholesale division, Grande Networks, is one of the most active and accomplished in the country, managing more than one billion minutes of telephone and data traffic each month. Built from the ground up in Central Texas with more than a decade of success, Grande Networks serves the nation’s largest phone and data companies and other business customers.

Grande’s commitment goes beyond its service offerings to its residential and wholesale customers; it also extends to the communities it serves. Before Grande ever began building broadband network, it built an internal culture of volunteerism and community service. The Passion and Commitment Investment Club is an employee-giving program that supports groups and organizations meeting basic human needs — food, shelter, clothing, health — and bridging the digital divide. More than 50 percent of Grande’s employees are members and participate by giving their time and money to the employee-run program, which has raised more than \$200,000 to non-profit organizations across Texas,



## Granite Communications

2 Adams Place

Quincy, Massachusetts 02169

- Granite Telecommunications is a Competitive Local Exchange Carrier (CLEC) based in Quincy, Massachusetts.
- The company provides local and long distance service to small and medium sized companies throughout the eastern seaboard.
- The headquarters and Operations Center is in Quincy, Massachusetts with sales offices in Quincy, New York and Atlanta. Offices will be opening soon in New Hampshire and Rhode Island.
- Granite provides customers with a straight discount *off* the incumbent phone carrier with no complicated pricing plan; **just** a flat percent off of standard rates.
- The company currently has 65 employees with plans to grow to over 100 by 1Q03.
- The Granite team is dedicated to providing the highest quality local and long distance phone service.
- The back office operating system features electronic bonding with the incumbent phone carriers using the UNE-P platform.
- The company is owned and run by its' employees, all of whom are seasoned telecom veterans with over a century of combined experience in the telecom industry. Unlike virtually every other phone company today, Granite has no (zero) debt and feels very confident in its' claim of being rock-solid.

**Homisco/Voicenet**  
99 Washington Street  
Melrose, Massachusetts 02176

Founded in 1981, **Homisco/VoiceNet** designs integrated turnkey telecommunication systems for Unix and Window NT platforms.

Our standards-based technology ensures cost effective, reliable solutions. Our systems design and installation is backed by full customer service and technical support, 7 days a week, 24 hours a day.



With over 20 years experience in the telecommunications industry, **Homisco/VoiceNet** can provide additional assistance with marketing and practical business support.

**LDMI Telecommunications**  
8801 Conant St., Hamtramck, MI 48211  
313-873-5500 [www.ldmi.com](http://www.ldmi.com) [jfinefrock@ldmi.com](mailto:jfinefrock@ldmi.com)

- LDMI Telecommunications is an Integrated Communications Provider (ICP) headquartered in the Detroit area, in Hamtramck, MI
- Founded ten years ago by Jerry Finefrock; CEO is Patrick O'Leary
  - Initial capital came from Finefrock & his mother re-mortgaging their homes
  - From the beginning: a facilities-based long-distance carrier
  - Has grown to about \$ 100 million of annual revenue
  - Is now the largest telecom carrier headquartered in Michigan
  - Serves long-distance customers throughout the Midwest – but 75% of company's revenues are derived from Michigan.
  - Backed by these VC's: PNC Equity Management; Primus Venture Partners; CID Equity Partners; Wind Point Partners (among others)
  - LDMI is the most successful telecom company these VCs manage
  - Best management team in the business; lowest attrition; best back-office systems
- Customer commitment and Michigan geographic coverage
  - Serves both business and residence: focus is on small business customers:
    - Small business is the overlooked customer segment
    - Small business growth is the economic driver of the entire economy
  - Long-distance: serves every exchange in Michigan, both Bell & Independent
  - Local: serves every Ameritech exchange in Michigan (few if ANY other CLECs in Michigan do that)
- The LDMI Financial Philosophy
  - The great majority of CLECs have gone bankrupt
  - The principal reason for CLEC bankruptcy has been huge investments in network build-outs, in advance of sufficient customer line (CLEC) penetration
  - LDMI did NOT over-invest; LDMI did NOT over-spend
  - LDMI: EBITDA-positive for the last eight quarters
  - LDMI utilizes the "smart build" strategy: Grow first with UNE-P, then convert to facilities-based CLEC operation in those wire centers which have reached economic cross-over
- If the FCC Eliminates Business UNE-P
  - Eliminating UNE-P will punish a company (LDMI) that has followed exactly the correct economic strategy to cost-effectively invest and grow to provide local telephone service to hundreds of thousands of customers
  - Eliminating UNE-P will punish the customer segment (Small Business) that **is** most in need of major savings in their local telephone expenses.
  - Eliminating UNE-P will punish customers in the more rural areas, who are now enjoying major local phone savings, but for whom facilities-based local will not arrive for many years, if ever

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## Lightyear Communications

1901 Eastpoint Parkway

Louisville, KY 40213

**Services Offered —** Lightyear is a competitive reseller of communication services and provides a "one-stop shop" solution for a host of telecom products. Services include: Dedicated Access long distance, Switched Access long distance, Frame Relay, Local Phone service (UNE-P & Total Service Resale), Calling Cards, Nationwide Internet access (dial-up and dedicated access), Web page hosting and development services, Call Analysis Billing Software for customized billing reports, Multimedia conferencing services, and Network marketing services for organizations who wish to sell customized calling cards and telecom products to their members.

**Number of Employees —** Founded in 1993, Lightyear currently has 165 employees and an independent distribution channel of 400 authorized Lightyear Agents.

**Mode of Delivery —** Resale through and independent distribution channel of Authorized Agents

**Geographic Markets Served —** The Lightyear **UNE-P** product offering presently serves customers in the states of Illinois, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, and California. All other Lightyear products, aside from UNE-P, are offered throughout the continental United States.

**Number of Subscribers —** Lightyear serves more than 130,000 customers resulting in \$134 Million in projected revenue. The present total number of **UNE-P** product subscribers is 1,000 customers who utilize 7,000 lines.

**Reasons Subscribers Select Lightyear Over Incumbent Carriers —** Better customer service, all telecom services billed on single invoice, better price, relationship and support from their Lightyear Agent, dissatisfied with their RBOC, provides alternative for customers who are dissatisfied with RBOC due to lack of carrier options.

**Leading Back-Office in the Industry —** Lightyear's history in the communication business provides a rich legacy of top-flight customer service. Lightyear bills 130,000 consumers and businesses on an integrated bill that includes multiple services, each month, and operates a 24-hour, seven days a week customer service center. Lightyear's Portal Plus billing and client care system provides the Lightyear Agent Partners with a direct view into the entire lifecycle of a customer's account. This combined with pre- and post-sale engineering support; project management, ongoing Agent training and sales support provide our clients with outstanding telecommunications solutions to grow their business.

**Our Achievements —** In 1998, Lightyear (formerly UniDial) was #19 on INC. magazine's list of fastest growing private companies in America. Lightyear's President and CEO, J. Sherman Henderson, III, has led the industry as a three-term President of the Telecommunications Resellers Association, and was named one of the "Top 25 Most Influential People in the Telecom Industry" by Phone+ magazine. Lightyear is a privately held company.

**Partner Companies —** Lightyear works with several partner companies who provide products and services for our customers. Best of all, Lightyear's customers will derive the cost benefits of multiple carriers and expanded capacity, with the most comprehensive customer service in the industry Lightyear is proud to have strong relationships with some of the biggest names in telecommunications, including: WorldCom, Sprint, Qwest, BellSouth, Verizon, to name a few.

**VarTec Telecom, Inc.**  
**1600 Viceroy Drive**  
**Dallas, Texas 75235**

From its humble beginnings in Lancaster, Texas in 1989, VarTec Telecom, Inc. has built a profitable multibillion-dollar business providing innovative and affordable communications products to residential and corporate consumers, as well as wholesale markets. It is in the consumer market space, in particular, that VarTec has distinguished itself.

A pioneer of dial-around service in the United States, Dallas-based VarTec is now a world-class telecommunications provider offering services to customers in six countries in North America and Europe. The company has expanded its range of product offerings to include local, long distance, voice and data enhancements. VarTec recently acquired Excel Telecommunications, Inc., with the result that network marketing has been added to VarTec's existing distribution channels, which include telemarketing and direct marketing.

In 1999, VarTec began a state-by-state launch of its highly competitive local service offering, which bundles local, long distance and local features. VarTec is currently certified to provide local service in all 50 states and the District of Columbia. Between VarTec and Excel, the company provides local service using UNE-P to over 100,000 residential local customers in over 3,600 end offices, which span 32 states.

## **Z-Tel Communications, Inc.**

601 S. Harbour Island Boulevard, #220  
Tampa, Florida 33602

- ▶ Leading UNE-P-based services provider headquartered in Tampa, Florida.
- ▶ 925 Employees with \$41K annual average salary.
- ▶ Founded in 1998 & public since December 1999 (Nasdaq: ZTEL).
- ▶ **200,000 current residential lines in service in 46 states.**
- ▶ Key partner behind The Neighborhood™ built by MCI.
- ▶ \$250MM annual revenue, 52% gross margin.
- ▶ EBITDA positive w/ minimal debt.
- ▶ **Innovation:** unique Internet-accessible calling and messaging features.
- ▶ **The Future:** voice recognition dialing, personal and organizational directories.